



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### PART 5

#### MINERAL EXTRACTION ALLOWANCES

### CHAPTER 5

#### OTHER KINDS OF QUALIFYING EXPENDITURE

#### **[<sup>F1</sup>416ZA] Ring fence trades: expenditure on site restoration**

- (1) If—
- (a) a person who is carrying on, or has ceased to carry on, a ring fence trade incurs expenditure on the restoration of a relevant site,
  - (b) that part of the restoration work to which the expenditure relates has been carried out, and
  - (c) the expenditure has not been deducted in calculating for tax purposes the profits of any trade carried on by the person,
- the net cost of the restoration is qualifying expenditure for the relevant period in which that part of the work to which the expenditure relates was carried out.
- (2) “Relevant period” means—
- (a) in the case of restoration work carried out while the person is carrying on the trade, a chargeable period, and
  - (b) in the case of restoration work carried out after the person has ceased to carry on the trade, a notional accounting period.
- For the meaning of “notional accounting period”, see section 416ZB.
- (3) The qualifying expenditure for a notional accounting period is treated as incurred on the last day of trading.
- (4) If the amount of expenditure incurred on any part of the restoration work carried out in a relevant period is disproportionate to that part of the restoration work, only so much

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*Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 416ZA. (See end of Document for details)*

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of the net cost of the restoration as is proportionate to that part of the restoration work (the “allowable expenditure for the period”) is to be treated as qualifying expenditure for that period.

- (5) But subsection (4) does not prevent that part of the expenditure that is not allowable expenditure for the period from being treated as qualifying expenditure for a subsequent relevant period.
- (6) If any expenditure incurred by a person is qualifying expenditure under this section—
- (a) the whole of the expenditure on the restoration (not just the net cost) is not deductible in calculating the person's income for any tax purposes, and
  - (b) none of the amounts subtracted to produce the net cost is to be treated as the person's income for any tax purposes.
- (7) “Restoration” includes—
- (a) landscaping,
  - (b) in relation to land in the United Kingdom, the carrying out of any works required as a condition of granting planning permission for development relating to the winning of oil from an oil field,
  - (c) in relation to land in the UK marine area, the carrying out of any works required in order to comply with—
    - (i) an approved abandonment programme,
    - (ii) a condition to which the approval of an abandonment programme is subject, or
    - (iii) a requirement imposed by the Secretary of State, or an agreement made with the Secretary of State, in relation to a relevant site, and
  - (d) in relation to land in a foreign sector of the continental shelf, the carrying out of any works required in order to comply with anything corresponding to a matter within paragraph (c)(i), (ii) or (iii) under the law of a territory outside the United Kingdom.
- But it does not include decommissioning any plant or machinery (within the meaning of section 163).
- (8) A “relevant site” means—
- (a) the site of a source to the working of which the ring fence trade relates (or related), or
  - (b) land used in connection with working such a source.
- (9) “The net cost of the restoration” means the expenditure incurred on the restoration less any amounts that—
- (a) are received, or are to be received, by the person, and
  - (b) are attributable to the restoration of the relevant site.
- (10) All such adjustments are to be made, by way of discharge or repayment of tax or otherwise, as are necessary to give effect to this section.
- (11) In this section—
- “abandonment programme”, “approval” and “approved” (in relation to an abandonment programme) have the same meaning as in Part 4 of the Petroleum Act 1998,

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“foreign sector of the continental shelf” means an area within which rights are exercisable with respect to the sea bed and subsoil and their natural resources by a territory outside the United Kingdom,  
“oil” and “oil field” have the same meaning as in Part 1 of OTA 1975,  
“ring fence trade” has the same meaning as in Part 8 of CTA 2010 (see section 277 of that Act), and  
“UK marine area” has the meaning given by section 42 of the Marine and Coastal Access Act 2009.]

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**Textual Amendments**

- F1** Ss. 416ZA, 416ZB inserted (with effect in accordance with s. 92(10) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 92\(5\)](#)

**Changes to legislation:**

There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 416ZA.